

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



June 24, 2002

The Honorable Anthony A. Williams
Mayor
District of Columbia
John A. Wilson Building, Suite 600
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Linda W. Cropp
Chairman
Council of the District of Columbia
John A. Wilson Building, Suite 504
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Williams and Chairman Cropp:

On June 20, 2002, I received the enclosed Comprehensive Annual Financial Report (CAFR) of the District of Columbia Public Schools (DCPS) for the fiscal year (FY) ended September 30, 2001. It supplements the District's CAFR issued on January 28, 2002. The DCPS CAFR includes the Independent Auditor's Report produced by KPMG, LLP, and a statement signed jointly by District managers Natwar M. Gandhi (Chief Financial Officer, District of Columbia), Louis Erste (Chief Operating Officer, DCPS), and Dr. Paul Vance (Superintendent, DCPS).

The DCPS CAFR showed that DCPS concluded FY 2001 with a \$64.5 million deficit in locally appropriated funds. This overspending has been reported to the appropriate officials as required by federal law. DCPS management concluded that, to an overwhelming extent, this deficit was caused by expenditures for court-ordered or statutorily mandated special education programs and related transportation programs that proved to be in excess of projected and budgeted amounts. At the same time, FY 2001 as well as prior years' over-estimates of Medicaid revenue resulted in an assumption of disallowed Medicaid costs by the local budget.

Notwithstanding this reported deficit, our independent auditor opined that the DCPS general purpose financial statements present fairly, in all material respects, the financial position of the DCPS as of September 30, 2001.

As you are aware, on April 11, 2002, I issued a Management Letter for the District's general purpose financial statements for FY 2001. That letter reported material weaknesses in accounting and financial reporting by DCPS, particularly in areas related to operating and capital expenditures. It also reported material weaknesses in the District's Medicaid program.

Within a few weeks, we will issue a report prepared by KPMG which provides information about DCPS compliance with laws and regulations and the adequacy of internal controls. The report also will recommend actions to improve DCPS operations.

If you have questions or need additional information, please contact me directly, or have your staff contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles C. Maddox", written over a horizontal line.

Charles C. Maddox, Esq.
Inspector General

Enclosure

CCM/ws

cc: See Distribution List

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